



STATE OF WASHINGTON

**LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS'
PLAN 2 RETIREMENT BOARD**

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REGULAR BOARD MEETING

September 28, 2005

The Law Enforcement Officers' and Fire Fighters' (LEOFF) Plan 2 Retirement Board met in the Boardroom of the Washington State Investment Board located at 2100 Evergreen Park Drive S.W., Olympia, Washington on September 28, 2005.

Board Members Present:

Kelly Fox, Chair
Michael Edwards
Doug Cochran
Pat Hepler
Jeff Holy
David Moseley
Senator Linda Evans Parlette
Representative Geoff Simpson

Staff Present:

Steve Nelsen, Executive Director
Shawn Merchant, Deputy Director
Jessica Burkhart, Executive Assistant
Jeralyn Faulhaber, Administrative Services Manager
Suzanne Shaw, Assistant Attorney General
Greg Deam, Senior Research and Policy Manager
Tim Valencia, Senior Research and Policy Manager

Guests:

Rita Fanning, Washington Counties Insurance Fund
Mark Fukuhara, Washington Counties Insurance Fund
Steve Hill, Washington State Health Care Authority
Martin McCaulay, Office of the State Actuary
Richard Onizuka, Washington State Health Care Authority

Board Members Not Present:

Jack Simington, Vice Chair
Mark Johnston
Maureen Morris

Kelly Fox, Chair, called the meeting of the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board to order at 9:41 a.m.

1) August 24, 2005 Board Meeting Minutes

It was moved that the August 24, 2005 Board meeting minutes be adopted as presented. Seconded.

MOTION CARRIED UNANIMOUSLY

2) Officer Elections and Board Policy

Kelly Fox, Chair, reviewed the *LEOFF Plan 2 Retirement Board Draft Operating Policies*.

It was moved that the draft operating policies be adopted as presented. Seconded.

MOTION CARRIED UNANIMOUSLY

Chair Fox went on to lead a discussion for the officer elections. Jeff Holy nominated Jack Simington as the Vice Chair and Pat Hepler nominated Kelly Fox as the Chair for the LEOFF Plan 2 Retirement Board. There were no other nominations.

It was moved that the nomination of Jack Simington as the Vice Chair for the LEOFF Plan 2 Retirement Board be adopted by acclimation. Seconded.

MOTION CARRIED UNANIMOUSLY

It was moved that the nomination of Kelly Fox as the Chair for the LEOFF Plan 2 Retirement Board be adopted by acclimation. Seconded.

MOTION CARRIED UNANIMOUSLY

3) Retiree Health Care, Initial Consideration – Tim Valencia

Tim Valencia, Senior Research and Policy Manager presented an Initial Consideration on *Retiree Health Care*. The report included the general state of retiree access to health care insurance and why the cost of health care insurance is rising. In addition, Mr. Valencia provided pooled, individual, and funding vehicle approaches as options that could provide access to health care insurance for LEOFF 2 retirees or assist in the funding of that insurance.

The Board requested that staff provide the Board with a follow-up presentation on 2002-2004 legislation concerning access to health care for public retirees.

4) Actuarial Issues Related to Retiree Health Care Costs

Martin McCaulay, Senior Pension Actuary – Office of the State Actuary

Martin McCaulay, Senior Pension Actuary, provided the Board with a report on *Retiree Medical Actuarial Valuations*. The report included data from the Public Employees Benefits Board (PEBB), the average monthly PEBB premium paid by Medicare retirees and subsidy, as well as sample 2006 PEBB claim costs. Mr. McCaulay went on to brief the Board on options for funding (pay-as-you-go or pre-funding), accounting issues, actuarial valuation inputs, and five plan design options.

The Board requested that staff work with the Office of the State Actuary to determine the estimated member costs for HB 2162 from the 2005 legislative session for inclusion in the Board's next newsletter.

5) 2005 Legislation – Health Care Authority Fiscal Notes

Richard Onizuka, Director of Health Care Policy – Washington State Health Care Authority

Richard Onizuka, Director of Health Care Policy with the Washington State Health Care Authority provided the Board with an overview of the Health Care Authority fiscal notes for HB 2162 and SB 5781 from the 2005 legislative session.

6) Local Government Retirees Access to Health Care

Mark Fukuhara, Executive Director – Washington Counties Insurance Fund

Mark Fukuhara, Executive Director, and Rita Fanning, Deputy Director from the Washington Counties Insurance Fund presented information to the Board concerning retiree programs such as medical, dental, and vision that can be offered through employers to employees. Mr. Fukuhara went on to provide the counties that the Washington Counties Insurance Fund currently serves.

7) Administrative Update

Select Committee on Pension Policy (SCPP) Update

Steve Nelsen, Executive Director updated the Board on the issues discussed at the latest SCPP meeting. The SCPP discussed removing the 30 year cap for LEOFF Plan 1, the potential issues surrounding interpretation of eligibility for membership in Public School Employees Retirement System (PSERS), Uniform Services Employment Reemployment Rights Act (USERRA) compliance and potential technical corrections, and that Public Employees Retirement System (PERS) Plan 3 and School Employees Retirement System (SERS) Plan 3 had received final Internal Revenue Service approval as qualified plans.

Quarterly Budget Update

Mr. Nelsen provided the Board with the *September 2005 Monthly Budget Reports* and indicated that the Board is under budget. He will continue to provide budget updates on a regular basis.

Member/Employer Surveys

Steve Nelsen discussed the option of administering another member survey by using an insert in an upcoming newsletter.

The Board requested staff bring a copy of the prior survey questions to the October 2005 Board meeting.

Next Board Meeting

Mr. Nelsen presented the *2005 Agenda Items Calendar* and reviewed the topics scheduled for the October 28, 2005 Board meeting.

8) Health Care Policy**Steve Hill, Administrator – Washington State Health Care Authority**

Steve Hill, Administrator with the Washington State Health Care Authority presented a report on *Improving Health Care Quality and Cost in the State of Washington*. Mr. Hill began by stating the Governor's goals for health care in our state and then provided the Board with the current costs, problems, and pressures in the system. He went on discuss goals to reduce the State's health care costs, improve the quality, improve the health of Washington residents, and increase the number of insured Washington residents. He also provided the Board with five key strategies below that were discussed at the Governor's Work Group on Health Care Quality:

- Purchase high quality and cost-efficient care
- Create an improved market for buying health care
- Focus on the high health care cost population
- Support health promotion and health education of state beneficiaries
- Increase the insured population

9) LEOFF Plan 2 Employer Benefit Survey Results**Shawn Merchant, Deputy Director**

Shawn Merchant, Deputy Director, presented the Board with a report on the *LEOFF Plan 2 Employer Benefit Survey Results*. Mr. Merchant's report included the survey goals, the questions that were asked to the employers, and the results of each category. The survey revealed the following:

- 58.53% of law enforcement officers (5,110 members) are covered by Social Security
- 6.48% of fire fighters (410 members) are covered by Social Security

Next Meeting

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for October 28, 2005 from 9:30 a.m. – 3:00 p.m. at the Washington State Investment Board located at 2100 Evergreen Park Drive S.W., Olympia, Washington 98502.

There being no further business, the meeting adjourned at 2:38 p.m.